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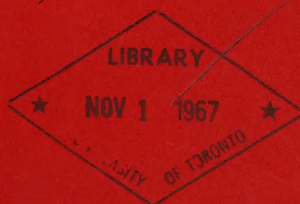
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The Dimensions of Poverty in Canada;

R.A. Jenness





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THE DIMENSIONS OF POVERTY IN CANADA: SOME  
PRELIMINARY OBSERVATIONS

Chapter 1

Introduction

This is a preliminary report, -- a prelude, it is hoped, to a larger and more comprehensive study of low-income groups in Canada. The detailed study will examine some causal chains and characteristics common to (a) the urban slum, (b) depressed rural areas (c) the ethnic minority group. Here, however, it is possible only to sketch the parameters, to assay gingerly the task and the statistical and conceptual hazards ahead.

Apart from individual case analysis no reliable published studies exist of the poor in Canada. In this field, as in so many, we trail our U.S. colleagues by almost a decade. And yet the tenaciousness with which poverty persists in our cities and on our farms cries out for a co-ordinated Canadian counterpart to President Johnson's Campaign Against Poverty. Several federal and provincial agencies have indeed recently become concerned in a pragmatic way, and an attack on rural poverty has already been launched. So far, apart from the efforts of many social work

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\*The author is indebted to the Economics and Research Branch of the Department of Labour, Ottawa, for the opportunity and facilities made available to carry out this investigation.





agencies, the plight of the urban poor remains an unchallenged enigma.

Throughout this paper there will be references to techniques and hypotheses developed in the United States. The U.S. Bureau of Labour Statistics has carried out many studies of low-income families, assessing consumer expenditures and income, correlating low income with such characteristics as age, education, employment, race, etc. In addition, an impressive array of evidence on the plight of low income families and areas was presented before Joint Committees of the U.S. Congress in November 1955 and December 1959,<sup>2</sup> and in the Manpower Report of the President transmitted to Congress March 1964.<sup>3</sup> Robert Lampman's paper on The Low Income Population and Economic Growth presented to the Joint Economic Committee of Congress in December 1959 represents perhaps the first major definitive work on the U.S. poverty question, inspiring Michael Harrington's popularized and urgent version The Other America.<sup>4</sup>

Most of the data on low-income groups in Canada is drawn from the Dominion Bureau of Statistics Census of Canada, 1961. The Federal Department of Industry and the Agricultural Rehabilitation and Development Agency have already made trenchant studies of certain depressed areas, but have published little. D.B.S., I understand, is assembling a statistical review of the characteristics of low income groups based on the 1961 Census, for publication later this year.





## Chapter 11

### Concepts of Poverty

Any concept of poverty involves matters of value that do not easily lend themselves to strictly quantitative analysis. What constitutes poverty? How can we describe it when so many different family relationships, motivations, levels of consumption and time periods are involved? The difficulties in defining poverty need no labouring; many economists simply avoid the issue by dropping the word in favour of "low-income groups", and narrowing their observations accordingly. This admittedly arbitrary approach enables one to quantify and measure, -- but it still leaves unanswered the crucial question 'Where do we draw the line on who are low-income and who are not?'

Poverty is a relative concept, -- it has personal, environmental and time dimensions. At the personal level lie many non-economic contributing factors. Accidents, illness, or family circumstance may render inadequate to one what is ample for the next; they may also immobilize and debilitate a person physically or emotionally.

"...some quality peculiar to the individual or family -- mental deficiency, bad health, inability to adapt to the discipline of modern economic life, excessive procreation, alcohol, insufficient education or perhaps a combination of several of these handicaps..."

5

When all men are poor, it has been said, there is no time for poverty. But when income and status are widely unequal then self realization becomes acute. Who can doubt that the



juxtaposition of rich and poor in cities and rural communities creates feelings of inadequacy, ennui and envy among some who previously were not unhappy in their lot. Many immigrants to Canada have found their higher real incomes scant compensation for the sudden sense of inferiority in an alien world. Some authors paint the present state of the poor as one of disaffec-<sup>6</sup>tion and transition, -- others in terms of a 'cult of poverty'. Whatever the description, it is undeniable that at no previous time in history have the poor been subject to so many pressures, to buy, to expand their wants, to be dissatisfied.

Finally, poverty in a growing economy has different meaning for different generations. Barring such economic catastrophies as the 1930's, each generation tends to be at least 50 per cent better off in real terms than the generation before. No longer do we resignedly consign the poor to their incontinent fate.

"To remove the wants of the lower classes of society is indeed an arduous task. The truth is that the pressure of distress on this part of a community is an evil so deeply seated that no human ingenuity can reach it." 7

Rather we talk hopefully of a "war on poverty", of "significant improvements in standards for low-income groups, and...rising margins of incomes and resources over time for further advances towards more comprehensive and adequate services and facilities in the social welfare field..." 8

Paralleling this moving spectrum of income levels are changing concepts of social adequacy. The challenge, the thrust





behind much recent literature on poverty is the fear that in watching per capita income figures grow we may lose sight of those at the lowest and of the earnings scale.

What then should be our yardstick of social need today? The initial answer is that there is no single yardstick, -- that any dividing line will be arbitrary, discriminatory and unfair to some. Nonetheless, in so urgent a field as that of social welfare imprecision represents a difficulty to be noted, not a deterrent to research. The same may be said for that well-worn philosophic truism, the non-comparability of personal wants. Let us bow to the solely theoretical, and then press on.





## Chapter III

Defining the 'Poverty line'

Four alternative methods of identifying the low-income groups are available.

- (a) Lorenz curves and proportionate earnings
- (b) Budgetary studies
- (c) Ratios of expenditure to income
- (d) Institutional criteria

(a) Lorenz curves and aggregate earnings

The use of Lorenz curves and Lorenz coefficients to diagram income distribution is a time-honoured practice. By plotting cumulatively, one secures a sagging curve, -- the greater the sag the wider the degree of inequality in the economy. By examining these curves for different points of time we can detect changes at one end of the aggregate distribution. If for instance, the proportion of low-income earners were growing this would likely reveal itself in a slacker curve and higher coefficient.<sup>9</sup>

The Lorenz analysis in sum is merely an expository statistical device, a measure of relative proportions. Alone it yields no definition or explanation of low-incomes. But when combined with some criteria singling out the per cent of low wage earners as the "poor", it enables us to assess this group's share of aggregate income between places or over time, -- to follow the "moving spectrum of earnings" as it were.



A related measure of low-incomes would be to take an arbitrary percentage of the aggregate income and focus on the change in the number of earners in this group. Alternatively we could examine the change in relative earnings of a fixed percentage of the income receiving units. Or we could use a variant procedure as we have in comparing the proportion of wage-earners at real income levels below \$2000 and \$3000 in 1931, 1951 and 1961. It all depends on what we are trying to show with the available data. In this study, since we are concerned with human need and not income inequality the dividing line requires greater authority than mere arbitrary choice of percentages. Alternative methods of identifying a meaningful definition of the 'poverty line' are called for.

(b) Budgetary Studies

The oldest and most direct method of gauging the 'poverty line' has been to construct a budget for all goods and services considered essential and minimal to the average family. Usually the 'minimal' concept is based on advice from nutrition, social welfare and other experts, but often -- especially where public assistance is involved, it merely reflects subjective evaluations on what is needed, what funds are available and what fillip is needed to get the applicant off relief.

Although the tradition of assessing minimum needs of the poor traces at least to Roman times, we shall pause only to note that this question was very much before the British Commission of inquiry into the Poor Law, 1834, and was also





pursued vigorously by U.S. social scientists wrestling with problems of the urban poor in the late 19th century. The U.S. Bureau of Labour prepared 'minimum' and 'fair standard' family budgets in 1909 modelled largely on English research. And by 1920 it defined 'the poverty level' for a five person family at \$1000-1100.<sup>10</sup>

Canada, in contrast has made little effort publicly to define minimum living standards or to prepare budgetary appraisals of need. Some studies were carried out in this field prior to World War II in conjunction with the introduction of Unemployment Insurance. The Department of Health and Welfare issued a pamphlet on "essentials" in 1946-48, largely based on Bureau of Labour Statistics criteria and goods. And although the Federal Departments responsible for Eskimo and Indian administration have undertaken budgetary assessments in connection with their welfare and relief programmes these offer slight relevance to the larger scene.

One finds puzzling the total absence of leadership by the Federal Government in this important field, particularly in light of the range of federally administered transfer and income support schemes, each of which require some criteria of social adequacy for their benefit payments. Possibly this federal inertia stems from the fact that welfare problems rest largely within the orbit of municipal and provincial responsibility. Possibly also persistent regional and rural-urban differentials discouraged investigation. Or perhaps it merely reflects political prudence. Whatever the reason, the absence of Federal budgetary



standards covering minimum levels of adequacy forces us to look to provincial and private sources.

I know of no recent provincial study in this field. The Canadian Welfare Council has announced its intention to launch a poverty study, but research is only now getting underway. Indeed in all of Canada, as far as I am aware, only two recent formal studies to determine minimum adequate income levels have been made. These represent the work respectively of the Toronto Social Welfare Council and the Vancouver Community Chest, and apply to the two metropolitan areas alone.

The Vancouver Chest and Council Study on Adequacy of Social Assistance Allowances calculated a budget of minimum adequacy<sup>11</sup> for a family of 4 to be \$204 per month in 1958. Assuming a 6 per cent increase in the consumer cost of living index between 1958 and 1965 the equivalent budget would now approximate \$215 to \$220 per month, or about \$2600 per annum. This figure compares generally with our earlier estimates. If anything it is lower; which might suggest that since it applies to Canada's highest income city, the minimum budgetary requirements elsewhere could be scaled down substantially. This interpretation would be misleading. For ever since the British rejection of the Speenhamland system in 1834, British and North American philosophy governing social assistance payments has been that they should cover but the barest subsistence level, and should be sufficiently below the prevailing rates for unskilled labour as to encourage early movement into the labour force. The \$2600 per annum figure for Vancouver thus





implies a penalty discount and a concept of residual welfare payments below generally accepted minima. The presumption, then, is that minimum adequacy budget levels for larger metropolitan areas might be in the region of \$3000 for a family of 4, and lie closer to \$2600 in the lower-wage communities.

(c) Ratios of Expenditure to Income

The use of expenditure ratio to identify low income families is based on a rough acceptance of Engel's law, -- that as incomes increase the proportion spent on "necessaries" i.e., food, shelter and clothing -- decreases. The implications of this law are reflected in aggregative consumption functions with higher average than marginal propensities. Underlying is the assumption that families allocate their limited resources rationally so as to secure the basic necessities first. The technique involves examining consumption patterns of different income classes to determine the level at which the proportion of income spent on essentials falls significantly. This level then becomes the cut-off point for the low-income group.

Consumer expenditure habits are determined not only by current income but by assets and savings accumulated out of past earnings. But the self perpetuating forces of poverty are such that few poor persons ever really achieve much voluntary saving. In the United States savings do not appear on the average until family incomes pass the \$5000 mark, -- in Canada the level is slightly lower. Where poverty persists, therefore, it must be assumed that transfer payments, public and private, fill the



gap between earnings and expenditure.

Family expenditure patterns also vary as between farm and city, between regions, and different age levels. Farm families traditionally spend less money per capita on essentials than do urban families. A. U.S. survey in 1955, for instance, indicated that adjusted farm family expenditures per capita for housing represented only 36 per cent of that spent by urban families.<sup>12</sup> Although no comparative figures exist for Canada a gap of similar dimensions probably prevails here as well. Any measure of poverty based solely on money expenditures out of income will thus be both complex and proximal. Since it also assumes an ex post view of expenditures the measure is perhaps more useful for the analyst than for the administrator who must make decisions in anticipation of need rather than after the need has been established.

Inter-relationships between low earnings and family size and structure are well known. Despite smaller size the average low-income family spends proportionately more on essentials than other families. In the United States families with annual incomes after taxes of less than \$2000 spent an average of 73 per cent on food, shelter, clothing and medical care in 1960-61.<sup>13</sup> In Canada the same characteristics are evident.





Table 1  
Canadian Urban Family Characteristics  
by Income Group, 1957

Family Characteristics	Under \$2500	\$2500- 2900	\$3000- 3499	#3500- 3999	\$4000 up
% of Surveyed Urban Families	5.3	9.9	13.9	18.0	70.9
Age of Family Head		45		43	41
No. of Full-time Earners		1.07		1.25	1.32
Person per family		3.31		3.31	3.45
% Spent of Necessaries	n.a.	69.1	68.6	66.0	58.4

Source: D.B.S. City Family Expenditure 1957,  
 Queen's Printer, Ottawa, 1961

As a rough yardstick, therefore, an analysis of poverty based on all families spending more than 70 per cent of their total net income on essentials seems to have considerable merit.<sup>14</sup>

Can we readapt the basic expenditure out of income approach to get an ex ante minimum standard for average families in Canada? The U.S. Bureau of Labour Statistics has estimated that if the four person average family budget is indexed at 100, a single person would index at 50, a two person family at 65, three persons 84, five persons 116, and six persons 130.<sup>15</sup> There is general agreement too that

"The cost of minimum family budgets per capita has tended at all times to equal 60-70 per cent of the national income per capita..."<sup>16</sup>



Average per capita personal income in 1962 for Canada<sup>17</sup> was \$1600. Taking average family size as 3.5 persons, and making appropriate deductions for taxes, we get a theoretical net family annual income of about \$5000. Applying the B.L.S. family index formula together with the most conservative percentage, we get minimum family budgets for Canada as follows:

Table II  
Estimated Minimum Family Budget  
(Based on 60 per cent of net per capita income)

Family Size	Index	60% of N.P.I.
1 person	50	1700
2 persons	65	2190
3 persons	84	2856
4 persons	100	3400
5 persons	116	3944
6 persons	130	4420

These estimates are aggregative and may seem somewhat high. Inherent is an upward bias due to the weighting of urban and higher than average income groups in Central Canada and British Columbia. Moreover, since the figures are family estimates they assume the maintenance of separate personal dwellings. Single persons or couples living with relatives obviously would require smaller incomes.

Nonetheless, these estimates are not out of line with other criteria of minimum social adequacy which we might use. And the advantage of the essential expenditure criteria over the budgetary methods is that they provide a moving standard of



adequacy which does not have to be re-computed constantly as prices or per capita income levels rise.

(d) Institutional Criteria

Since World War II a remarkable expansion has occurred in Canada in the field of social security. A variety of government measures -- primarily federally inspired -- have been and are being introduced to meet specific areas of social need and uncertainty. Among the more general programmes we may list:

- (a) Grants-in-Aid favoring the poorer provinces
- (b) Progressive income taxes with basic exemptions covering dependents
- (c) Unemployment insurance
- (d) Workmen's compensation
- (e) Family allowances
- (f) Old Age Security and Disability Allowances
- (g) The Canada Pension Plan (pending)
- (h) Hospital insurance
- (e) Comprehensive Medical Care programmes (in some provinces, and generally pending for the nation at large)
- (j) Minimum Wage Legislation (revisions pending)
- (k) Subsidized housing and slum clearance under the National Housing Act.

Not all, of course, provide direct benefit to the poor, but all offer them some balance of advantage. Taken together these measures provide a framework of protection for many if not most Canadians, and a strong prop to aggregate demand and income maintenance. Most of the programmes operate separately, and in the absence of co-ordination each tends to exhibit its own concept





of social adequacy. And while some of the programmes cover different sectors of the economy, and some abide by insurance principles while others are strictly redistributive, there are purposes common to them all.

The diversity in the implied minimum acceptable incomes from one programme to the next is revealed in the following table. Here I have tried to quantify and to compare criteria employed by Federal Income Tax legislation, proposed Federal Minimum Wage legislation, Workman's Compensation, Unemployment Insurance, Old Age Security, the proposed Canada Pension Plan, and the National Housing Act. Several assumptions have been employed which might be questioned. These are listed in the footnotes to the table. A different researcher might alter the figures, or omit one or more of the programmes here compared. The crucial point for this study however lies not in the precise accuracy of the implied minima -- for no standard can be precise, -- but in their clustering along the income range. For despite their separate history, administration and purpose, Canada's social security programmes at the Federal level reflect a reasonably consistent criterion on minimum income needs for Canadians. In the case of a four person family this implied minimum appears to lie in the region of \$2600-3100

Our attempt to define poverty has taken us through several formal criteria. We have looked at the income distribution approach, at the minimum budget approach and the estimated proportion of necessary expenditures from family incomes. We have tried to



Table III

Estimated Minimum Acceptable Standard of  
Earnings Implicit in Federal Social Legislation

	Wage-Earners (regardless of dependents)	Two-Person Family (at least)	Four-Person Family (2 children)	Other
1				
Income Tax			2800	
2				
Workman's Compensation			3100	
3				
Federal Minimum Wage (proposed)	2600			
4				
Unemployment Insurance		2800		
Present Old Age Security 5		1800		
6				
Supplementary Benefits to widows with dependents (proposed)				2000
7				
Canada Pension Plan (proposed)		2700		
8				
National Housing Act Urban Renewal			4500	

1. Based on standard deductions of \$1000 per adult, \$350 per dependent child and \$100 for charitable and medical expenses.
2. Based on the compensation payable to average male workers in Canada having an annual income of \$4000. (The average wage for industrial labour, 1962, was \$80 per week, according to George Saunders, Wage Determination in Canada, Dept. of Labour, Ottawa, 1964, (mimeo) p.40)
3. Based on proposed \$1.25 per hour for a 40 hour week, including pay for two weeks annual vacation.
4. Based on maximum weekly Unemployment Insurance benefits to a claimant with dependent of \$36 plus \$18 per week allowable earnings, computed on a yearly basis. Note, of course, that the maximum duration of benefit, including extended seasonal benefit, is 36 weeks. Note also the comments of the Committee of the 1962 Committee of Inquiry into the Unemployment Insurance Act (p.104):

"...it is important to see to it that the amount of indemnity is not so large in relation to wages as to encourage insured persons to prefer unemployment to employment."



- 5 Based on current flat rate of \$75 per month payable to all persons at age 70. (Note that this scheme will be supplemented by the Canada Pension Plan, -- see below).
- 6 Maximum pension payable to a widow with four dependent children.
7. Based on flat Old Age Security Pensions of \$75 per month for two adults, plus benefits payable to a paid-up contributor averaging \$4000 annual income during his working years.
8. The maximum family income allowable to a person qualifying for subsidized housing under the National Housing Act.





assess the criteria implicit in Federal legislation.

The remarkable thing is that our results are generally consistent. Regardless of the technique employed, the ,inimum income needs for a family of four in an urban environment run about \$2600-\$3400, for two adults \$2000-2500, and for a single person about \$1500-1800. Farm families probably need cash incomes of about 80 per cent of the urban level, if we accept the ratio used in the United States.

We are now in a position to examine some of the empirical data made available in the 1961 Census of Canada, -- and to scan the magnitude and incidence of the poverty problem. First, however, let us briefly look at some of the major statistical difficulties which we deliberately skirted so far.



## Chapter IV

### The Statistical Difficulties

It is not my intent to more than sketch the manifold statistical difficulties which quickly appear in any study of a particular income group. Books could and have been written on this subject, <sup>18</sup> -- it would be too easy to get lost in the entanglements. Our approach here has been to combine what data is available with broad assumptions to cover the gaps. Tentatively, I would hazard that statistical analysis beyond, say, correlation and variance analysis would hardly be justified, given the inadequacy of the information available and the implicit value judgements that enter into this type of study. Future research may, however, alter this view.

The main difficulties encountered have been of three kinds:

#### (a) Difficulties Inherent in Aggregation

The very process of aggregation introduces an element of unreality into our analysis. The identifying marks of the poor get subsumed and become blurred. Poverty involves extremes, characteristics distant from the median, not easily revealed in averages. The remote location, the marginal activity, the seasonally employed, the twilight years, the immobile, the ill prepared. There is an interdependency of Causative factors not easily quantified or measured. Certainly not in the aggregate.

There are statistics relating incomes to age, to marital state, education, region, etc. These will be presented. But so



far we cannot tell, in moving from one table to the next, whether we are dealing with the same groups of persons or not. For example, we know from the table on ages and income that low-incomes are most pronounced among the young and the old who are single. And from other tables we know that proportionately more live in rural areas and work less than 40 weeks in the year. But we don't know if these are all the same persons, or if not what proportion are the same. Partial correlations of the variable might help, but in a moving economy with data four years old, such precise measurement must be weighed cautiously. Selective sampling might be a more fruitful source of information.

At present very few of the 1961 Census figures have been published on family earnings, -- mainly they cover individual wage and salary earners only. There is no way of knowing, therefore, the number of dependents the wage-earner has, or whether the spouse is working or not. We have had to use these figures since they are the only ones available to date. But they are no substitute for family figures.

(b) Definitional Problems and Gaps

Most of the available 1961 data are of wage and salary earners. They include therefore many students, children living at home and wives who are not the sole support of the family. And they exclude virtually all farmers, fishermen, pensioners, small business owners and the self employed, the first three of which represent a substantial portion of Canada's poor. A family's needs





are conditioned too by its accumulated assets, but no recent representative data is available either for non-wage income or for family saving or real assets.

Income in kind poses difficulties, and no estimates for Canada are available. Some U.S. studies have used budget equivalents to measure this part of family earnings.<sup>19</sup> These are particularly important for the really poor who live in remote areas, although historically even the poor are becoming less self-sufficient, -- more dependent on processed and semi-processed food and clothing. The difficulty with budget equivalents lies in their application, -- how do you, for instance gauge depreciation for consumer durables or old houses even on a direct sampling basis.

Taxation statistics are equally incomplete, -- running at about 91 per cent returns from the labour force (and only 76 per cent in the Atlantic provinces). Since the majority of the non-reporting segment almost certainly consists of persons with low incomes, analysis based on Tax returns would likely considerably under-estimate the problem.

The term 'Family' too may be defined in several ways. As immediate family (i.e., parents with children), economic family (i.e. any unit of related persons living together, but not including roomers), or spending units (i.e. persons apart from roomers related or not who share the same dwelling; as for instance, single girls sharing an apartment). The D.B.S. data on City Family Expenditures refers to the latter. But there is no easy way of comparing the data from the D.B.S. published family surveys with those in the wages and salary groupings. Moreover,



there is yet available no comparable income data for rural farm families, as distinct from families and single persons. Consequently, we have been able to use rural non-farm and urban families only in comparing the relative position of families in each sector.

(c) Secular Movements

Perhaps the most difficult part of an aggregative study, particularly one using decennial census figures, is to get a sense of the movements of the poor in time and space. We are familiar with 'the self-perpetuating pockets of poverty in our cities', or 'stagnation in the countryside' but how do we get at these problems through Census data. The answer is simply that we cannot, with certainty. We may know that the numbers of poor increased or decreased from one census period to the next, but we do not know that they are in fact the same persons. We know too that there is a continuing movement from farm to city, and from the Atlantic provinces to the Central; but who are these persons? Are they those of least income, or are they those whose ambition, training and earnings potential allow easy mobility to higher wages areas elsewhere, but whose departure often accentuates the plight of the depressed area left behind? Mostly, it appears, they are in the latter group. Once an area becomes economically disadvantaged its services, institutions and organizations suffer, making it difficult for the area to catch up again.<sup>20</sup> How do we measure this erosion for a region or the movement from one generation to the next. Here again, family surveys in designated areas are needed.



Other problems emerge in measuring the forces of poverty through time. Low earnings most often are associated with irregular employment, -- three quarters of male wage earners earning annually less than \$2000 are employed less than 40 weeks; workers drawing unemployment insurance benefits during some part of the winter months run about 15 per cent of the total insured.<sup>21</sup> But there have been marked changes in the work force since World War II, and equally marked changes annually as certain groups enter and withdraw. These secular and seasonal changes have been well described by Sylvia Ostry.<sup>22</sup> For instance, though annual oscillations involve about 600,000 persons, about half of these -- many of them students -- enter and withdraw from the labour force. Yet they will all be included among wage and salary earners, and we must interpret out statistics accordingly. The rural/urban and male/female ratios have also altered radically in the past two decades.

What these observations imply is that the low-income sector in Canada is composed of two aggregates, -- a 'transitory' group and a 'hard core'. Our concern lies mainly with the hard core, -- in most cases (apart from the aged) the 'transitory' are moving up the income scale. Included in this latter group are:

- (a) Those temporarily unemployed by cyclical business recession, either through lay-offs or the failure of their own business.
- (b) Young persons, -- especially women who will soon marry and withdraw from the labour force; students, or persons starting at low salaries who expect to advance to considerably higher levels,
- and (c) immigrants temporarily handicapped by problems of adjustment.





Another group, less transitory, are those of independent means, -- persons drawing inheritances, divorcees on alimony, etc. None of these come within our definition of poor, -- yet many are included among the wage and salary earners with incomes less than \$2000 or \$3000 annually.

Recognizing these many hazards of definition and statistical interpretation, it is still a fact that too many Canadians today live out their years in the most abject poverty, community neglect and alienation. U.S. Government authorities examining the many faces of poverty in that country, have been far more forthright about the problem than their Canadian counterparts.

"The misery in some of the worst areas of American poverty is, I think, greater relative to the rest of the population at least than that in most any of the European countries. Much of this poverty appears to be persistent, continuing from generation to generation in the same areas...These groups represent an important economic waste..."

This description applies equally to the Canadian scene. To meet the issue one needs empirical information. Then, to devise remedial measures, mature judgment and conscience.



## Chapter V

### Some Dimensions of Poverty in Canada

The conditions of chronic poverty is multi-faceted, with many of the causes interdependent. Our purpose here will be to advance data on the changing incidence and characteristics of families (where the information is available) and wage-earners of incomes less than \$2000 and \$3000 respectively. I shall interlace the statistics with such observations as appear appropriate, - particularly where there are close analogies between the Canadian and U.S. situation. Obviously not all characteristics can be compassed in this preliminary excursion, -- these must await the publication of additional statistics, and more intensive research.

Nonetheless, however cursory and aggregative, data is available on the following aspects of the low-income groups in Canada.

1. Changing Magnitude of Low-incomes since 1931
2. Rural-Urban Differences
3. Regional Aspects
4. Irregular Employment
5. Age Characteristics and Marital Status
6. Education

#### (a) Changing Magnitudes of Low Incomes

Over the past century Canada's economy has averaged a growth in total real gross national product of 3.3 per cent annually, and of per capita real G.N.P. about 1.5 per cent annually. Since



World War II growth rates have generally been higher than the long term average.<sup>24</sup> This has meant of course, substantial increases in average annual earnings for Canadians. Indeed average earnings in 1951 dollars rose from \$1626 in 1931 to \$2783 in 1961 despite a doubling of the total labour force. Coinciding with this improvement was a substantial reduction in the proportionate number of the poor. Where in 1931 almost 70 per cent of all persons on wages and salaries earned less than the equivalent of \$2000 in 1951 dollars, only one-third of wage earners drew less than this figure in 1961. And this under \$2000 group in 1961 included a higher proportion of persons other than family heads with dependents than in 1931.

Nonetheless, impressive though these figures may be a look at the aggregate numbers of low income persons is less reassuring. For despite the relative changes, more persons today earn less than \$2000 (in constant 1951 dollars) than in 1931. 1.8 million Canadians in 1961 were in this group, compared to 1.7 million in 1931. Even allowing for students, there are still well over one million Canadian wage-earners today with incomes below the \$2000 level. About one-half are women, which suggests that with the dramatic expansion of the female labour force many in this group represent supplementary earners.

In 1964 the Royal Commission on Health Services observed that

"If we take \$2000 as a low income in 1961...almost 13 per cent of all families of two or more persons, rural non-farm and urban, had incomes of less than this amount.





The number of families in this classification approached one half a million families. If we were to include all families with incomes less than \$3000, these families would account for nearly 25 per cent of total families.."<sup>25</sup>

The figures for wage and salary earners do not include farmers or fishermen. For these groups the picture is even less sanguine. For despite massive emigration to urban employment incomes in both these sectors remained much below the urban level. The Economic Council of Canada has already noted that between 1949 and 1963, real incomes in agriculture increased by only 13 per cent while incomes in non-agricultural occupations rose 46 per cent. And if we deduct an allowance for a return on capital, farmers' real incomes actually decreased by 10 per cent in this period, -- largely owing to the secular decline in farm prices<sup>26</sup> relative to prices of other goods.

In 1959 Robert Lampman estimated that in the decade 1947-57 there had been a decline in proportion of low-income persons in the United States from 26 per cent to 19 per cent. But this still left 33 million Americans living on incomes well below the minimum family budget suggested by the U.S. Bureau of Labour Statistics. Lampman predicted a further drop in the proportion of the poor to 10-12 per cent of the population by 1977. Even then<sup>27</sup> 25 million Americans would be living in poverty. The implications for Canada are obvious. We cannot rely on 'growth' by itself to eliminate poverty.

For the problem becomes more acute as we approach the 'hard core'. Galbraith has observed:



"The most certain thing about modern poverty is that it is not efficiently remedied by a general and tolerably well distributed advance in income...advance cannot improve the position of those who, by virtue of self or environment, cannot participate or are not reached." 28

The role of government is crucial. In the United States transfer payments account for 40 per cent of the total money income of the poor. Observes Lampman:

...both the composition of this group and its share of income would be very different were it not for the tremendous growth of social insurance and related programs in recent years." 29

Similar observations could be made for Canada. But as in the U.S.A. redistributive programmes have not measurably altered the share of total income going to the lowest income groups. Instead they have mainly shared up that share in the face of marked advances among the more highly skilled. 30

#### Rural - Urban Differences

The sharp differences between rural and urban environment, and the concomitant incidences of poverty are borne out by our tables. Unfortunately no information is yet available for farm family earnings as distinct from families and persons not in families. However it seems reasonable to assume that the figures for the rural non-farm population coincide generally with persons on farms. And these indicate that one quarter of all rural families, and three-quarters of the single persons receive receive less than \$2000 annually including all transfer payments and social security. The incidence of poverty among rural families is more than 2.5 times as high as among city families; among single persons it appears to be 50 per cent higher. The problem, as one might expect, is most acute in the eastern provinces, where both urban and rural figures



exceed the national average. In addition, one third of rural families in Manitoba and Saskatchewan report low incomes (reflecting perhaps the plight of Indian and Metis families living in the northern parts of both provinces).

Of rural wage-earners (as distinct from families) in Canada over one third of all males and two thirds females earned less than \$2000 in 1961. This represents more than double the proportion of low paid men working in cities, and half again higher the proportion of poorly paid urban females. Differences in rural and urban income were most pronounced in Newfoundland, New Brunswick and Quebec where half of all male wage-earners in rural areas had incomes below \$2000.

Rural poverty is currently under intensive study by the Federal Agricultural Rehabilitation and Development Agency, and it is not my intent here to invade that domain. Suffice to advance a few observations. Agriculture embraces units of great productive diversity and individual wealth, with farm sizes varying in size from an average of 23 acres in Newfoundland to 550 in Saskatchewan.

"Along the south and south-east coast of Nova Scotia, in much of Cape Breton Island, in the central and northeastern sections of New Brunswick, and in the Cape as well as in Newfoundland, many of the farms are hardly above the subsistence level; and this is also true of northern Quebec and northern Ontario." 31

These are places relatively remote, where steady alternative employment opportunities are scarce. The inhabitants have many problems; but often their plight is endemic. The areas have been low income producers from their first settlement. As with similar depressed regions in the United States.





'They can't be rehabilitated because they never were habilitated, that is, relative to the rest of the rural economy. Actually they are better off than they were at the time of settlement, or even 50 years ago. The simple bold fact about them is that the rest (of the economy) has gone off and left them'. 32

The chief characteristic of these areas is that farmers are using the land too labour-intensively. The absence of nearby urban employment gives rise to a high man-land ratio, and forces up land prices. Farmers have difficulty increasing the size of their farms so as to mechanize. Caught in the snare of immobility their relative incomes have sagged in the face of more capital intensive techniques elsewhere.

There has of course been some out-migration. But often the emigrants are the young and best trained; whereas the unskilled, unable to find non-farm employment, remain and add to the population pressure. Higher than average birth rates heighten the problem. And because of lack of knowledge, or the existence of local credit institutions and the uncertainty attached to marginal farms, capital is either not sought or it is not available. Hence the self-reinforcing circle of poverty closes.

Much the same could be said for fishing, trapping and some eastern forestry operations - seasonal, labour intensive; featuring inadequate social capital, relatively unskilled labour, under-employment, immobility, and few alternative opportunities. How entrenched and binding are these circular forces of decay? How effective, for instance, are the counter forces bringing new capital or non-farm employment? Subsequent research will, I hope, throw light on this question.



(c) Regional Aspects

The geographic unevenness of Canada's economic activity and growth is well known. The Atlantic provinces traditionally trail the rest of Canada in income per capita, -- averaging about two-thirds the national average. In 1962 personal income per capita averaged \$1124 in the Maritimes, \$1970 in British Columbia; median wage earnings (which omit farm returns) for both men and women (on the west coast) were almost double those in Prince Edward Island. Hours of work are also significantly shorter in British Columbia. These differences in working conditions and incomes are evidence of chronic regional disparities reflecting inter alia the traditionally labour-short character of Canada's western provinces, and the retarding forces in the Maritimes that we have just discussed in relation to rural poverty.

It must be acknowledged that growth rates in all regions since World War II have been generally uniform, and indeed that since 1927 income levels in both the Atlantic region and Quebec have been increasing more rapidly than income levels in the country as a whole. But -- and this is crucial -- this growth

'includes a larger element of federal government transfer payments which tends to mask an underlying relative deterioration on income generating activities within certain regions... post war data suggests... that the forces tending to narrow differences between regional income levels have weakened considerably'. 33

Of signal importance to the poor have been the payments of seasonal and extended unemployment benefits. Unemployment in the Maritimes averages almost double the national average, and three times the rate in the Prairies. Seasonal oscillation there also is much more severe. The Atlantic provinces and Quebec,



with slightly over one third the Canadian labour force, account for almost 60 per cent of seasonal unemployment.<sup>34</sup> The use of the Unemployment Insurance Fund to provide for the seasonally displaced has come under fire recently by the Gill Committee of Inquiry.<sup>35</sup> The plight of the East Coast fishermen was particularly singled out. In both cases the Committee recommended special federal financing to replace the current inchoate system of contributions and government subsidies. Whatever the upshot, as long as labour remains geographically relatively immobiel, the absence of a firm industrial base and alternative job opportunities augurs a continuing need for transfer payments to the poorer regions.

We have already noted the importance of emigration from the Maritimes. In the period 1951-61 the number of male wage-earners in Canada increased by about 25 per cent; female workers by close to 50 per cent. Comparative increases for the Maritimes were in the region of 15 per cent and 30 per cent respectively, -- despite higher than average birth rates.

The Atlantic Economic Development Board and the Federal Department of Industry currently are wrestling with the task of building an alternative industrial component in the Maritimes. The task has not been easy, despite the seeming attraction of wage levels well below elsewhere in Canada. Why? The comments of Harvey S. Perloff, in discussing similarly depressed regions in the United States, are worth noting.

"There seems to be a limit...to the flow of capital that can be attracted by the low wage levels of certain regions. A detailed study of industrial location which we have carried out at Resources for the Future shows clearly that for the great majority



of industries, the location of material inputs sources and even more the location of markets tends to exert the dominant locational pull... relatively few industries are labour... As a matter of fact there is a good bit of evidence that... great national market and regional market centers might well be the receiving areas for the bulk of American industry, while the more isolated areas might well have difficulty in holding onto the limited industry they already have." 36

I have focused here largely on the depressed state of the Atlantic provinces. But there are many smaller geographic locations in Canada in similar economic plight. Frequently the problem is most acute in remote centers that were once thriving mining or timber settlements, where the primary resource has become depleted, the activity abandoned. Yet many of the townspeople have stayed on, living in the hope of some rediscovery to generate new life into the decaying timbers. They too have been caught in the impoverishing vortex. Many are too old, or consider themselves too old, to learn new skills. Their homes have scant resale value, and their meagre savings may not suffice the uncertainty of a move. So they remain.

(d) Irregular Employment

The interrelationship between low earnings and limited employment is borne out by aggregative 1961 figures covering wage-earners with incomes less than \$2000. Of 745,000 males in this category 536,000 or 73 per cent worked less than 40 weeks in the year. Of 741,000 females 344,000, or 48 per cent, worked less than 40 weeks. The higher proportion of males has a double significance, it coincides with much higher average wage levels for men than women, and also to a higher rate of unemployment for men.





It will be recalled that while seasonal unemployment involves about 600,000 persons in Canada, about half of these are not permanent members of the labour force. If we assume that this latter transitory group corresponds roughly to workers employed less than 14 weeks per year, -- mostly students -- we are still left with well over one million persons among wage and salary earners alone earning less than \$2000 annually. Of this low income group, one-quarter are women and one-sixth are men who are working virtually full-time. In effect, about 15 per cent of all persons with regular employment draw wages of less than \$1 per hour. The burden is most pronounced where females are concerned -- over 35 per cent of regularly employed women compared with 7 per cent of similarly employed male wage-earners receive less than \$2000 annually.

Omitting again the wage-earners in the 1-13 week category of the 549,000 male wage earners in the low income group, over 60 per cent are without work for more than one-quarter of the year, whereas of the 600,000 female workers in this situation, only 35 per cent suffer similar unemployment.

These figures confirm that in addition to and interwoven with rural under-employment, there is the equally serious problem of unemployment.

(e) Age and Marital Status

The burden of low incomes for men in Canada, as in the United States, weighs most heavily on the young and the old. Between the ages of 25 and 55 only 12 per cent of male wage earners have incomes less than \$2000. But 77 per cent of youths under 20, and 32 per cent of those between the ages of 20 and 25 earn less than \$2000. At the other end of the age spectrum the proportion



of low wage-earners above 55 rises with increasing years, -- 35 per cent of those over 65 years who are still working earn under \$2000. If our minimum was \$3000, virtually all the under 20 years group and close to 60 per cent of those between 20 and 25, and over 65, would have sub-standard wages, compared to about one quarter the rest of the male labour force. Looked at in another way, -- although young men under 25 provide less than 20 per cent of male wage and salary earners, they account for 45 per cent of all males earning less than \$2000.

Our figures do not cover retired persons outside the labour force. If they did there is no doubt that the numbers of persons over 65 with substandard annual incomes would be large. Less than 50 per cent of the labour force is covered by private pensions; and at present the Federal Pension Scheme provides only \$900 per person at age 70 (or at 65 with a means test).

Without question the new Canada Pension Plan will when fully operative, greatly assist in relieving some of the most severe cases of hardship among the aged. It will not, however, help many who need it most -- the agricultural workers and sub-marginal farmer who at present have no income protection through Workmen's Compensation, Unemployment Insurance or the new pension proposals.

Although figures on female workers show a similar tendency for higher proportions of both young and old to be in the low income groups, these characteristics are not quite so pronounced. The extremes occur only for girls under 20 and the elderly over 65 who tend not to be in the labour force full time. Wage differ-



entials are much smaller than for male workers, -- in general girls between 20 and 24 have incomes competitive with those between the ages of 25-55. It is worth observing again that approximately half of all women wage-earners earn less than \$2000; three quarters earn less than \$3000. Many, perhaps most, represent secondary wage-earners who are either living with their parents or spouse and family.

That low incomes are associated with the young and the old should come as no surprise. For both groups exhibit relatively large numbers of unskilled workers. The young especially are the group greatest hit by unemployment. More than half the unemployed are below the age of 25. These are the very persons who are most malleable, who can be trained to new opportunities. The facilities are at hand, -- the problem lies in the motivation, the will to adapt to change.

2.7 million Canadian male wage-earners are married, of whom 12 per cent, or 315,000 earn less than \$2000. An additional 365,000, or a cumulative total of 25 per cent of the married male labour force earn less than \$3000 per annum. Unless their wives or children are working it seems likely that these persons and their families live below or close to the poverty line. Another 100,000 single men over 25 earn less than \$2000 annually. It is significant, however, that despite there being three times as many married men among the wage and salaried, almost as many single men earn less than \$3000. The latter, of course, are made up mostly of the young.

736,000 married and 674,000 single women drew wages and salaries in 1961. Surprisingly, a higher per cent of married





women than single had earnings below \$1000, \$2000 or \$3000 respectively, despite the heavy concentration of young single girls. This suggests two things, -- that many more married women than single over 25 years old enter and leave the labour force regularly; and also that many married women work in jobs paying very low wages.

In the absence of comprehensive family earnings statistics it is impossible to determine how many of the married women are sole providers for their household, and how many share incomes with males who are working in marginal occupations. We have already hazarded the view elsewhere that the total number of non-farm families living close to impoverishment borders on 500,000. To this might be added about 200,000 single persons over 25 years of age with incomes less than \$2000 per year. Thus not counting rural families, where the incidence of poverty is acknowledged to be even higher than in urban occupations, probably close to 2 million Canadian wage-earners and their dependents are existing on incomes barely sufficient to meet reasonable standards of health and dignity.

<sup>38</sup>  
(f) Education and Training

The close association between inadequate education and training, unemployment and low incomes is too well known and has been sufficiently discussed to merit extensive comments here. The Senate Special Committee on Manpower and Employment, 1961, the Gill Committee of Inquiry into the Unemployment Insurance Act, and the most recent First Annual Review of the Economic Council of Canada all have stressed the importance of raising the skills of labour.



The following table provides ample illustration.

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<u>Unemployment Rates by Level of Education</u> <u>(Week ending February 20, 1960)</u>	
	<u>%</u>
Persons who did not complete primary school	19
Persons who completed primary school but did not complete secondary school	8
Persons who completed secondary school	3
All persons	9

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Source: Senate of Canada, Proceedings, Special Committee on  
Manpower and Employment, Vol. 1, p. 30

Statistics on educational qualifications and incomes bear out the advantages of higher skills. Among males, of those workers with only elementary education, 26 per cent earned less than \$2000 annually, 46 per cent less than \$3000. The corresponding incidences of low income among those with secondary and university education were about half these rates. And if we take only wage-earners above the age of 25, the differences are even more pronounced. About 40 per cent of men with only elementary education earn under \$3000, whereas only 16 per cent of those with secondary education and 9 per cent of men with university training receive incomes below this level.

Lack of secondary or higher education is much more pronounced among male wage-earners than among female. Over 40 per cent of men have only elementary education, compared to about 28 per cent of women wage-earners. This is in line with the wider range of male occupations which stress physical effort in construction, mining, logging and manufacturing compared to the role of



women in clerical and other office jobs requiring secondary level education. It corroborates also why the incidence of unemployment is higher among men than women, -- in 1960 for instance, 70 per cent of the unemployed reported that they were not fully trained in any way.

The correlation between low income and inadequate education shows up too in the statistics for women. Even allowing for students, about two-thirds of all women of only elementary education earned less than \$2000 annually, compared to 40 per cent of those with secondary training and 20 per cent with university level skills. And as with males also, the proportionate number of wage-earners with low incomes rises after the age of 55 regardless of educational levels, attesting no doubt to their decreased mobility.

The thrust of educational and training programmes lies mainly with the young. And we have many miles to go. In 1962 for instance only 12 per cent of Canada's college age population were attending university compared with 40 per cent in the United States.

"Because of our occupational history less than one-quarter of the Canadian labour force is in skilled occupations. This contrasts markedly with the United States where one-half of the labour force can be so classified. Professional people account for only 6.2 per cent of the Canadian labour force: the population in the United States is three times as high, that is 18.6 per cent. In proportion to the size of its population, Canada employs approximately one half the number of scientists and engineers employed by the United States."

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The implications are clear enough.



### Other Characteristics

There are many faces of poverty, -- we have considered but a few. One area awaiting intensive research is the inter-relationship of minorities and poverty. The incidence of substandard income levels and unemployment looms twice as large proportionately for negroes in the United States as for whites; other ethnic groups too suffer tacit if not over discrimination. But at least there has been public recognition, research and a frankness in facing up to this side of America's poor. The 1964 Manpower Report of the President transmitted to Congress in March 1964 deals extensively with the plight of the negro, the Puerto Rican, the American Indian and others of minority origin.<sup>41</sup> In contrast official Canadian bromides on Indian and Eskimo living conditions are classics in equivocation. And as far as I am aware no specific figures are available on the incomes of other ethnic groups in Canada.

Let me be quite explicit. 95 per cent of Canada's Eskimo population live in abject poverty, with average cash earnings less than \$500<sup>42</sup> per family, supplemented by government relief part of the year. Conditions among Canada's Indian population are better, but not by much. No figures on unemployment are available for either group, but the vast majority are unemployed part, if not all, of the year. The plight of Canada's negro population is probably not much better, -- certainly if Halifax sets the standards.

Another interrelationship worth examining involves occupations and low incomes. We know of course that seasonal jobs are closely associated with low annual earnings. Most unskilled





jobs in the services sector pay considerably less than in manufacturing; smaller establishments too pay lower than average rates for basic labour.<sup>43</sup> What is most critical, however, at least for male wage-earners, is not so much that sizeable wage differentials exist, but that work is either unavailable or of uncertain duration.



## Chapter VI

Summary

Very briefly let us retrace our steps. Poverty, it was suggested, took many forms, and eludes precise definition. In many situations there may be a circularity of causal relations, some psychological, others economic and social, none separable completely from the other. Poverty too involves comparisons in family living standards now, and from one generation to the next.

Several identifying measures of poverty were taken. One involved minimum budgets estimates, another the proportion of income that people actually spent on 'necessaries', and a third an attempt to extract concepts of minimum adequacy implicit in much of Canada's social legislation. From these emerged rough indices of minimum urban family cash requirements, \$1500-1800 for single persons, \$2000-2500 for two adults, and \$2600-3400 for a family of four.

Farm families, it was suggested, might get by on cash incomes of 80 per cent of the urban level.

We noted too the difficulties inherent in statistical aggregation, and the gaps in our data. The most obvious lack was that covering farm family earnings, and our inability to secure comprehensive income figures for rural and urban family units as distinct from wage-earners. The use of 1961 wages and salary data channelled our statistical investigation towards the urban worker, who is generally better off than his rural counterpart.

Our main findings were:

- (a) In relative terms the incidence of real poverty in 1961 in Canada was about half the level prevailing



in 1931, and about 30 per cent less than in 1951.

- (b) In aggregate terms the actual numbers of the poor have dropped very little.
- (c) The level of poverty is more than twice as high in rural than in urban districts, -- in both sectors the proportion of women in low paying jobs is about twice as high as of men.
- (d) The problem of rural poverty is deepened by the lack of alternative employment for seasonally employed men, or supplementary jobs for their wives.
- (e) The relative burden of poverty lies heaviest in the Maritimes, where one half the rural wage earners and one quarter the urban have annual incomes less than \$2000.. Median incomes in these provinces and rural Quebec are about 65 per cent the national average; unemployment rates are twice as high.
- (f) One-fifth the male and half the female wage-earners earned less than \$2000 annually in 1961. Of these, three quarters of the men, and half the women were employed less than 40 weeks in the year.
- (g) Age-wise the young and the old receive the lowest incomes, -- the incidence of incomes under \$2000 is more than twice as high for male wage-earners under 25 years of age or over 65 than for those in the interim years.





- (h) Even in the years between 25 and 65 the incidence of low income among married men is about half that for single men. In contrast, the relative number of poorly paid married women is about twice as high as for single women, -- attesting to the role of married women as supplementary wage earners.
- (i) Of all male wage-earners (excluding students) drawing low incomes, half had only elementary education, one third secondary school and one-sixth university training. This situation prevailed also among female wage earners. However, a far higher proportion of male wage-earners had less than secondary education than women.
- (j) Other contributory causes of poverty merit examination, -- particularly the situation among minority groups.

It is customary to conclude studies such as this with the statement that further research is needed. Such a comment here would merely echo the obvious. Suffice perhaps to note that so far the searchlight of Federal inquiry and action has focused principally on (a) the rural poor (A.R.D.A.), (b) unemployment and (c) the Atlantic region. Much of the action has been pragmatic, necessarily so perhaps because of shortcomings in the information at hand.

I believe that there is equal need for inquiry into the plight of the urban poor, -- perhaps specific studies in designated cities. For it is into the cities and towns that the rural poor eventually migrate. Below the backdrop of the giant new buildings, below the new freeways carrying suburbanites away to



their homogenized homes, behind the busy stores and factories, is there human drama as stark, tragic, inevitable and self-reinforcing as some of the wretchedness in our countryside? We ought to know.



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